BRITISH COLUMBIA

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highlights

a weekly digest of recently released British Columbia statistics

Travel

- **Same day U.S. visitors travelling by car to BC were up 7.4% in June 1997 over June of 1996.** At the same time, the number of British Columbians travelling for the day to the US was down 16%. British Columbians travelling south outnumbered US travellers coming north by almost 4 to 1.

  US visitors staying one or more nights and travelling by car were down 2.4%. Non-US visitors who comprised 20% of the total visitors to the province, declined almost 4%. The biggest decline was in visitors from Hong Kong, down 55% from June 1996, and 19% January to June. Visitors from Australia and Oceania were up. *Source: Statistics Canada*

- **Vehicle and passenger traffic on BC Ferries Vancouver Island-Mainland runs were down marginally in the first seven months of 1997 compared to the same period a year ago**. Many of the smaller southern routes (Gulf Islands, Mill Bay) also showed declines in traffic this year over last. Routes showing increases were primarily the more northern services. The new Discovery Coast service has taken almost 300 vehicles and 1000 passenger to Bella Coola. *Source: BC Ferry Corp*

Housing

- **The cost of new housing declined in Vancouver in June.** The new housing price index (NHPI) for Vancouver was down (-0.5%) from the previous month and (-2.2%) from the previous June. Victoria's NHPI increased 0.4% and (-2.7%) for the same respective periods.The NHPI for Vancouver now stands at 126 as compared to the Victoria index of 107.

  In June, the cost of new housing in Canada showed some signs of improvement with a 1.0% increase from the previous June. Calgary showed the greatest gains in NHPI at 6.7% followed by Toronto at 2.2%. *Source: Statistics Canada*

- **Sales of homes through the Multiple Listing Service (MLS) in BC increased 2.1% semi—annually from the first half of 1996**. To date, 40,282 home sales occcurred, up from 39,458 for the same period in 1996. Nationally, MLS sales were up double digit to 11% with Newfoundland (23%) and PEI (22%) leading the country.

  The average house price in BC increased 0.9% to $216,998 for the first half of 1997. BC remains the most expensive province for home prices followed by Ontario ($170,064). The best deals were found in PEI were house prices averaged $73,848. Yukon house prices increased 26% to $82,290, from the previous January to June period. *Source: Multiple Listing Service*

- **Housing starts in urban BC were down 15% in July from the same month a year ago.** Vancouver and Kelowna were the major losers with drops of 24% in both areas. Victoria, on the other hand reported an increase of 63%. *Source: CMHC*

- **A recent survey of BC homeowners, indicated that the average outstanding mortgage in this province, at $94,000, was the highest in Canada.** However, the ratio of that mortgage to the 1997 forecast average

Report **Trading with China**

price of houses in BC was 44%, the lowest in the country.

Source: Clayton Research, FIRM Mar. 1997 Survey

Business

- **New motor vehicle sales (seasonally adjusted) were 13.6% higher for the first half of the year than the same period in 1996.** Vehicle sales increased to 84,672 from 74,521 in 1996. Truck sales (43,641) surpassed passenger cars (41,031) in this same period, with truck sales increasing 17.6% compared to cars 9.6%.

  Nationally, vehicle sales were up (16%) for the first six months with all provinces recording double digit gains. Newfoundalnd posted the greatest gains at 26.6%, followed by Alberta at 19.5%. Manitoba showed the least movement in new motor vehicle sales at 10.3%. *Source: Statistics Canada*

Prices

In a comparison of consumer prices among major cities across Canada, Vancouver lead the country in the cost of transportation and alcoholic beverages only. Although Vancouver's cost of public transit was below the national city average, personal transportation costs averaged 11% above the average. Alcoholic beverages prices were also 11% above the city average. St. John's, Newfoundland, had the highest costs for food, household operation, clothing, recreation and tobacco products. In Vancouver, prices were above the average in all major categories except health and personal care. For health care alone, the city tied with Winnipeg for the lowest costs in the country. Price comparisons were based on an October 1996 survey; the cost of housing was not included. *Source: Statistics Canada*

Quality of Life

- **A survey conducted in July by the Royal Bank shows BC residents topping the polls for being very or completely satisfied with the quality of their lives.** The survey reports 52% of BC respondents gave the highest rating for the quality of life.

  Canadians said better jobs and more income were the top two reasons for their improved lives. By age groups, 57% of the 55 and over age group gave the highest ratings in Canada for satisfied lives, followed by 41% of the 18 to 34 age group, the least satisfied group (36%) were the 35 to 54 age group.

  By employment status, 60% of retired individuals and 54% of those not in the work force felt life was pretty good. As expected, only 13% of unemployment people rated their quality of life to be completely satisfied.

  Gender and education had little impact on how people felt about the quality of their life. However a persons marital status showed a greater effect on their attitudes about life — for example, separated and divorced people were half as likely (25%) as married couples (54%) to give their quality of life a high rating.

  Source: Royal Bank of Canada

Provincial Electoral Districts

- The 1996 Census results for the provincial electoral districts (PED) indicate the three largest growing areas since the last census were all located in the Lower Mainland. Port Coquitlam, led the growth with 41%, followed by Surrey-Newton (34.8%) and Surrey-Cloverdale (32.6%). The largest increases in occupied private dwelling count were found in Port Coquitlam (44.9%), Parksville-Qualicum (34.4%) and Surrey-Cloverdale (32.3%).

  Source: BC STATS

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For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the publication name or catalogue number.

Infoline Report:

August 15, 1997

With Hong Kong, China Becomes Third Largest Export Destination For Western Provinces

Originally published in *Exports*, a monthly release available by annual subscription for $60 plus GST

With the inclusion of Hong Kong, China has become the third most important export destination for all four western provinces, trailing only the United States and Japan.

Elsewhere in Canada, China is also an important trade partner, but not yet as important as in the west. In Ontario, for example, China (including Hong Kong) ranked as the fourth largest export destination in 1996, behind the United States, the United Kingdom and Germany. It was the sixth most important export destination for Quebec and the seventh most important for the Maritimes.

British Columbia exporters have made their strongest inroads into China during the past six years. In 1990, mainland China and Hong Kong together were the destinations for only 1.7 per cent of the province's exports, considerably less than those shipped to the United States, the United Kingdom, Germany or South Korea. By 1996, the proportion of provincial exports destined for China had risen to 3.0 per cent, and in the January to April period of this year it climbed to 3.7 per cent.

On the flip side of rising trade with China are the massive volumes of Chinese consumer goods now familiar in Canadian stores. But this exchange poses little threat to Canadian manufacturers. Imports from China are mainly apparel, footwear, toys and low cost electronic goods. Canadian consumption of these items is already served largely by imports. The rising influx of Chinese goods has mainly displaced competition for imports from other Asian countries, and driven down prices for Canadian consumers.

Booming Chinese Economy Opens to International Trade

There is every reason to believe that a much larger proportion of British Columbia and western Canadian exports will be committed to the Chinese market in the next decade. The Chinese economy has been posting some of the fastest annual growth rates in the world in the first half of the 1990s, and is expected to continue growing rapidly.

International Monetary Fund (IMF) economists project the Chinese economy (excluding Hong Kong) to expand 9.5 per cent this year, only slightly less than the double digit growth rates it has registered in recent years. They also suggest that Chinese economic planners have finally subdued the boom and bust cycle of the early 1990s. Its most recent slowdown involved a relatively slight drop from 10.5 per cent in 1995 to 9.7 per cent in 1996, as inflation was brought down from 14.8 per cent to 6 per cent.

Years of rapid economic growth in China have expanded both its export capacity, and its appetite for foreign imports, as it has developed from a closed economy with relatively little impact on world trade, to a major player in international markets. Much of this was accomplished in the first half of this decade. In 1990 Chinese exports (including those of Hong Kong) ranked tenth in the world, and amounted to 2.9 per cent of world trade. Its imports were also tenth highest, and amounted to 2.5 per cent of world trade.

By 1995, the value of Chinese (including Hong Kong) exports had risen to the seventh highest in the world, after the United States, Germany, Japan, France, the United Kingdom and Italy. They amounted to 4.3 per cent of world trade. Its imports were the sixth highest, after the United States, Germany, Japan, France and the United Kingdom, and accounted for 4.4 per cent of world trade. By comparison, Japanese imports accounted for 6.0 per cent of the world total, and Canadian imports accounted for 3.3 per cent.

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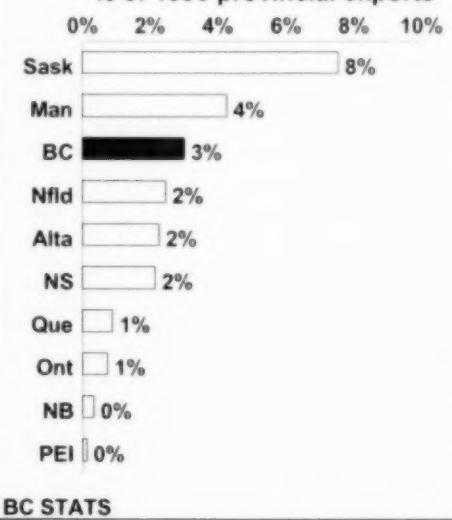
Rapid as it has been, China's import growth has been constrained by problems associated with its transition from a centrally administered economy, and by its continuing exclusion from the World Trade Organisation. For decades the Chinese economy emphasised self-sufficiency in the structure established under Chairman Mao. Imports were discouraged, exports were at very low levels, and the country's productive capacity was concentrated in large, monopolistic state owned enterprises.

State enterprises still dominate large sections of the economy, and are sometimes reported to be strongly opposed to open competitive markets. This resistance has been an important barrier to Chinese entry to the World Trade Organisation (WTO). Nevertheless, negotiations are under way, and some predict that accession to the Organisation could take place as early as the spring of 1998.

China's acceptance in the WTO is a daunting prospect for some of its international competitors who fear that its huge production capacities will alter established patterns of world trade.

Chinese Market Matters Most in the West



Others feel that a greater disruption would result from a China not bound by the WTO trading system. A Chinese economist is reputed to have likened Beijing unbound by WTO constraints to 'a 900 pound gorilla' running wild in international markets.

For western Canada at least, the prospects of China expanding its international trade within the WTO are, on the whole, very much positive. A China growing wealthier through increased trade is apt to provide an even better market for western Canadian resources and agricultural products.

The west already has committed a large portion of its export production to trade with China. British Columbia, Saskatchewan and Manitoba each have larger portions of their exports concentrated in the Chinese market (including Hong Kong) than any other provinces. Eight per cent of Saskatchewan's exports were destined for China in 1996; 4 per cent of Manitoba's; and 3 per cent of British Columbia's. Alberta and Newfoundland both shipped 2 per cent of their exports to China.

Wheat was far and away the principal western Canadian export commodity to China (including Hong Kong). It accounted for 63 per cent of Saskatchewan exports, 57 per cent of Manitoba exports and 43 per cent of Alberta exports.

Pulp and paper products, largely from British Columbia, constituted the next most important western export commodity. Following this were potash from Saskatchewan and petrochemicals from Alberta.

Continuing rapid industrialisation in China promises to increase the need for machinery and equipment. Goods in this category have already become the main item in Central Canadian exports to China. In 1996 they accounted for 60 per cent of Ontario exports to China, and 35 per cent of Quebec's. They have been much less a part of western Canadian trade. Machinery and equipment formed

virtually no part of Saskatchewan exports to China in 1996. They accounted for only 1 per cent of Manitoba's and 4 per cent of Alberta's exports to China. British Columbia was the exception in the west. Machinery and equipment made up 11 per cent of its exports to China in 1996. Most were electrical or electronic goods.

British Columbia transportation and shipping industries stand to gain whenever any region of Canada expands its trade with China or other Pacific countries. Pacific Rim trade has already sparked remarkable growth in the province's port, rail, road and air services. China's emergence on the world trading scene at anything like its full potential could sustain or even accelerate the investment surge in British Columbia transportation facilities.

Chinese Exports Squeeze Profit Margins For South East Asian Traders

Canadian imports from China have increased from $2.5 billion in 1990, to $6.1 billion in 1996.

For the most part they are the familiar, low technology, mass production export staples of newly industrialising countries. In 1996, 25 per cent were apparel or footwear. Another 11 per cent were toys, ornaments, sport equipment or games. Some 21 per cent were electronic products, mainly computer parts and sound equipment.

Massive Chinese exports of these products to international markets have already caused considerable economic discomfort for Southeast Asian competitors. Thailand, the Philippines, Indonesia and Malaysia have faced declining exports and slower economic growth as Chinese products have crowded in beside their own in North American and European markets. More thoroughly industrialised Asian economies, those that have moved on to more 'high end' export products, must anticipate dealing with intense competition from Chinese producers in the years ahead.

Continuing expansion of world capacity for standardised low cost manufactured goods confirms the already established notion that Canadian manufacturers must look more to sophisticated niche market production. To avoid coming head to head with hypercompetitive Asian mass market producers, many Canadian manufacturers have concentrated on high technology, design flair or fashion, often with short, fast production runs.

In British Columbia, where non resource based manufacturing has emerged more recently than in Central Canada, many producers have grown up already well adapted to exploiting niche market opportunities. Competition from China is less of a threat to them than it is to eastern Canadian textile or steel industries, for example. For some British Columbia manufacturers, rising imports from China may be welcomed as an alternative source of manufacturing components.

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BC at a glance . . .

POPULATION (thousands)	Apr 1/97	% change one year ago
BC	3,915.9	2.2
Canada	30,202.9	1.1
GROSS DOMESTIC PRODUCT		% change
(BC - at market prices - $ millions)	1996	one year ago
Current Dollars	103,631	1.7
Constant (1986) Dollars	74,001	1.0
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) May	2,855	6.2
Merchandise Exports (raw) May	2,177	-2.2
Retail Sales (seasonally adjusted) May	2,783	7.4
CONSUMER PRICE INDEX		% change
(all items - 1986=100)	Jun '97	one year ago
BC	139.9	0.9
Canada	138.0	1.8
LABOUR FORCE (thousands)		% change
(seasonally adjusted)	Jul '97	one year ago
Labour Force - BC	2,027	2.2
Employed - BC	1,853	1.8
Unemployed - BC	174	6.7
		Jul '96
Unemployment Rate - BC *(percent)*	8.6	8.2
Unemployment Rate - Canada *(percent)*	9.0	9.9
INTEREST RATES (percent)	Aug 13/97	Aug 14/96
Prime Business Rate	4.75	6.00
Conventional Mortgages - 1 year	5.65	6.13
- 5 year	7.00	7.95
US/CANADA EXCHANGE RATE	Aug 13/97	Aug 14/96
(avg. noon spot rate) Cdn $	1.3942	1.3745
US $ *(reciprocal of above rate)*	0.7173	0.7275
AVERAGE WEEKLY EARNINGS		% change
(industrial aggregate - dollars)	May '97	one year ago
BC	617.63	3.0
Canada	602.63	3.2

SOURCES:
Gross Domestic Product: Statistics Canada, revised by BC STATS
Population, Trade, Prices, Labour Force, Earnings: Statistics Canada
Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

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Next week

- Consumer Price Index, July 1997
- Earnings and Employment Trends, May 1997
- Small Business Quarterly, 2nd Quarter 1997

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